Massachusetts Housing Finance Agency

MULTIFAMILY DEVELOPMENT & FINANCING PROGRAMS

Quality housing for today and tomorrow

For Your Information

This package is designed to provide useful information on MHFA's Multifamily Finance and Development Programs and includes customized information on the following:

- A Summary of MHFA Multifamily Programs
- 80/20 Program
- Elder CHOICE Program
- Elder 80/20 Program
- Expanding Rental Affordability (ERA) Program
- Options for Independence Program
- Low Income Housing Tax Credits
- Bridge Loan Financing Program
- Comprehensive Permit Site Approval
- Interest Rates & Fees

About the Massachusetts Housing Finance Agency

Meeting the Need for Affordable Housing

The Massachusetts Housing Finance Agency (MHFA) was created in 1966 by state legislation as a self-supporting organization to address the lack of decent, safe and affordable housing in Massachusetts. Our purpose is to provide home ownership and rental housing opportunities for Massachusetts residents with low and moderate incomes whose needs are not being met by conventional housing markets. As a leading provider of affordable housing resources in the state, we have enabled tens of thousands of low and moderate-income individuals and families to buy their first homes, make improvements to a home they already own, or rent affordable apartments. To date, MHFA has provided \$3.38 billion for the creation of 606 multifamily developments containing 72,250 apartments across the Commonwealth.

Financing Affordable Housing

MHFA offers a number of resources to meet a variety of affordable housing needs across the state, including mixed income rental housing, assisted living, and housing for special needs populations. The Agency is able to finance these developments by combining tax-exempt or taxable bond financing with other public and private sector resources, such as federal Low Income Housing Tax Credits, to create attractive and affordable places to live. As a requirement of MHFA financing, developments reserve at least 20% of the units for low-income households at affordable rents. MHFA's multifamily resources are available through the mortgage financing and other rental housing programs described on the following pages.

Advantages of MHFA Financing

- Below market interest rates
- Non-recourse debt
- 30-40 year loan terms
- 90% loan-to-value ratios
- Flexible underwriting guidelines
- Construction, permanent and bridge financing through a single application process
- Low Income Housing Tax Credits available in conjunction with tax-exempt bond financing
- Comprehensive Permit (Chapter 40B) Site Approvals
- Variable rate financing for qualified borrowers


MHFA Multifamily Financing & Development Programs

Mixed Income Rental Developments

MHFA's **80/20 Program** offers tax-exempt and/or taxable financing for the acquisition, rehabilitation and/or new construction of multifamily rental apartments in developments that reserve at least 20% of units for occupancy by households earning less than 50% of the median area income. The remaining units, comprising up to 80% of the total, may be rented at market rental rates. The 80/20 program has been utilized by developers of new, market-driven rental housing as well as by owners of previously all-market rate developments who wish to refinance with MHFA. Both construction and permanent loans are available under this program for a term of up to 40 years.

In January of 1999, MHFA introduced the **Expanding Rental Affordability (ERA) Program**, offering taxable financing for loan terms of up to 40 years. Like the 80/20 Program, ERA is intended to encourage the production of mixed-income housing in which at least 20% of the units are set aside for low-income households. However, the program is designed to work without the use of scarce state or federal housing subsidies, such as tax-exempt financing, tax credits or HOME subsidies. To achieve affordability without direct housing subsidies, the ERA program allows a slightly relaxed affordability standard, under which set-aside units may be occupied by households earning up to 80% of median area income.

Assisted Living For the Frail Elderly

Through its **Elder CHOICE Program**, MHFA provides financing for "assisted living" rental housing with supportive services for frail elders. This assisted living concept is intended to address the needs of residents by creating an environment which maximizes their ability to live independently in a residential setting and reduces the need for costly institutionalization. MHFA's objective is to provide financing for assisted living residences targeting elders requiring assistance with activities of daily living. Service programs typically include assistance with personal care needs; household maintenance, laundry service, medical monitoring, and transportation; 2-3 meals per day; 24-hour emergency response; and service coordination and case management. This award-winning program was recognized by the Ford Foundation through an Innovations in American Government grant.

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Heritage at Cleveland Circle in Brighton, MA, was financed through MHFA's Elder CHOICE program and provides 90 units of assisted living housing for the frail elderly. The development provides residents with a package of housing and services that includes 3 meals per day, 24-hour oversight, and assistance with personal care.

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Many assisted-living developments financed by MHFA's Elder CHOICE program offer comfortable and safe gathering places for elders such as this soda fountain cafe in the Cohen Florence Levine Estates in Chelsea, MA.

For More Information on MHFA's Financing & Development Programs:

- TEL (617) 854 1371
- FAX (617) 854 1028
- WEB www.mhfa.com

Housing with Supportive Services

MHFA has introduced the **Elder 80/20 Program** in order to expand the continuum of housing service options for seniors. Developments financed through Elder 80/20 will serve elders who wish to live in independent rental apartments with on-site access to supportive services as needed. This housing option fills a niche between conventional elderly housing without services and the full-service personal care programs available in assisted living developments financed through the Elder CHOICE program. A minimum of 20% of the units in an Elder 80/20 development must be reserved for low-income occupancy.

Group Homes For Persons With Mental Illness Or Retardation

The **Options for Independence Program** was designed by MHFA in response to the need for cost-effective financing for community-based residences for formerly institutionalized persons with mental illness or mental retardation, the homeless mentally ill, and other under-served individuals. Eligible sponsors will be qualified non-profit 501(c)3 entities that have received (i) developer designation from the state's Division of Capital Planning, (ii) a 20-30 year lease commitment to cover all debt service and property maintenance costs, and (iii) a commitment from the Department of Mental Health or the Department of Mental Retardation to provide appropriate services to residents during the term of the MHFA loan.

Bridge Loan Financing

For project developers who syndicate Low Income Housing Tax Credits and other tax benefits, MHFA offers **Bridge Loan Financing** in conjunction with its construction/permanent financing. These bridge loans enable developers to access the majority of tax credit equity (which might otherwise be paid in several installments over a 2-7 year period) during construction, when it's needed to pay for construction costs and related soft development costs, including developer's overhead and consulting costs. Since MHFA's bridge loan interest rates are typically lower than investors' required rates of return on equity, this product helps to maximize the amount of capital made available through syndication of the credit.

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Avalon at Lexington was financed with a $15.6 million tax-exempt loan under MHFA's 80/20 program and offers 198 units of rental housing in an attractive setting which includes club house, community center and tot lot.

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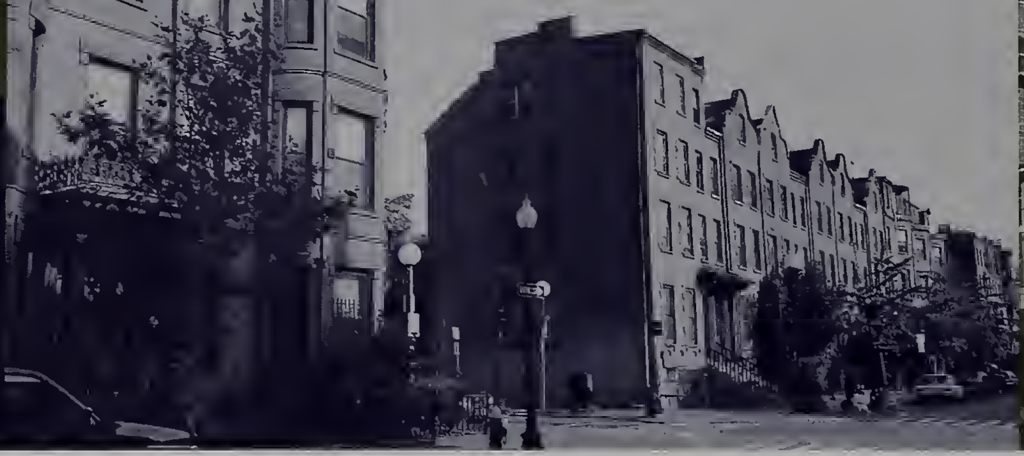
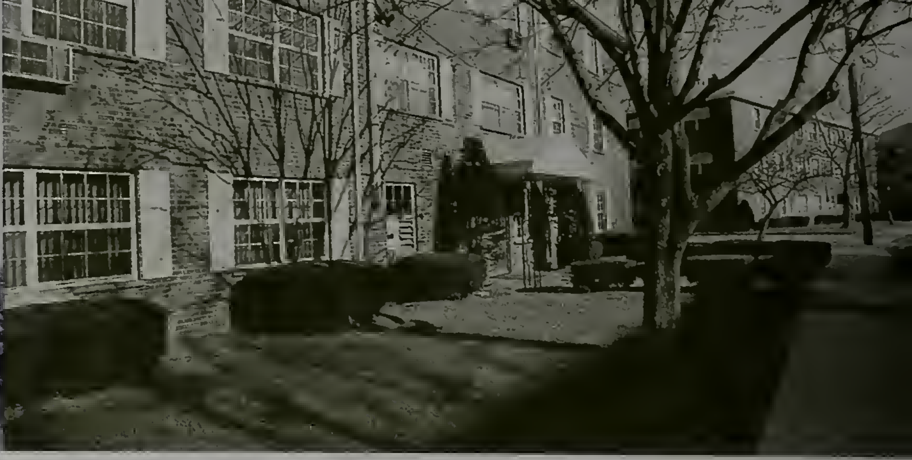
Located in Swampscott, John Bertram House was financed with tax-exempt 501(c)3 financing under MHFA's Elder CHOICE program. The development provides 59 studio and one-bedroom units, including 12 units that are reserved for occupancy by low-income elders and 22 units providing special care for elders with early-stage Alzheimer's disease or dementia.





Other MHFA Rental Housing Resources

Low Income Housing Tax Credits

Low Income Housing Tax Credits (LIHTCs) are an important federal resource currently available for the development of affordable rental housing, enabling the production nationally of roughly 80,000 units of affordable housing each year. Under a delegation of authority by the Department of Housing and Community Development, MHFA is able to award Low Income Housing Tax Credits for use in conjunction with tax-exempt financing that is subject to the state's private activity bond volume cap. These "4% tax credits" represent a dollar-for-dollar reduction in tax liability to owners and investors of affordable housing. By selling or "syndicating" the 4% tax credit, developers can raise equity sufficient to cover as much as 20% to 40% of the cost of developing each affordable housing unit. To be eligible for 4% credits, projects must, among other requirements, set aside at least 20% of total project units for low-income households. Tax Credits are commonly used by developers of both assisted living and mixed-income rental housing.

The Comprehensive Permit Process and MHFA Site Approval

Under Chapter 40B of the Massachusetts General Laws, a comprehensive permit zoning process has been established to encourage the development of affordable housing in municipalities in which 10% or less of the total housing stock is affordable to low- and moderate-income households. Chapter 40B allows a developer to obtain all required zoning-related approvals directly from the municipality's Zoning Board of Appeals. As part of the comprehensive permit application process, the developer must submit to the local zoning board of appeals written communication from a subsidizing Agency such as MHFA indicating that the site is acceptable and the proposed development is eligible for financing under a specified housing subsidy program.

FHA Risk Sharing Program

The FHA Risk Sharing Program is a credit enhancement tool used by MHFA for first mortgage loans made under the 80/20, Elder 80/20 and Elder CHOICE Programs. By providing low-cost insurance on multifamily mortgages, Risk Sharing enables MHFA to obtain AAA ratings on the bonds it issues to finance those mortgages. This top-tier bond rating provides access to credit markets and enables the Agency to obtain the best possible interest rates for its borrowers. Unlike other HUD/FHA insurance programs, Risk Sharing allows MHFA to utilize its own underwriting standards and processes, helping us to be more flexible and responsive to the needs of our borrowers. Risk Sharing insurance premiums are calculated on a declining loan balance, and are quoted in MHFA's processing rate sheets.

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First- and second-mortgage financing was provided under MHFA's 80/20 program to fund the acquisition and rehabilitation of South End Cooperative Housing, a 73-unit property located in the South End of Boston. Tenants now participate in the ownership of this once HUD-held property through a limited equity cooperative structure.

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Financed with variable-rate debt under MHFA's 80/20 program, Princeton Crossing in Salem, MA, provides 358 rental units, 72 of which are reserved for low-income residents.

The Loan Application Process

MHFA Development Officers are available to meet with you to discuss your development proposal, and to provide detailed information regarding the loan program and resources which best meet your needs. Developers are encouraged to take advantage of this service by calling to schedule an informational/pre-application meeting. After the pre-application review, applications for financing are typically reviewed in two phases :

1). Official Action Status (OAS) entails approval of the proposed project site, mortgagor, and development concept, as well as a determination of the marketability and need for the proposed housing. Issuance of OAS is required to preserve a development's eligibility for tax-exempt financing. Development costs incurred prior to designation of OAS may not be funded with tax-exempt bond proceeds, and must be funded by equity or other sources.

2). Loan Commitment underwriting includes a full review of financial feasibility, evaluation of construction plans, specifications and budget, property valuation, and a determination of the amount of equity and loan security required. Loan commitment is evidenced by a vote of MHFA's Board at its monthly meeting.

Each stage of processing takes approximately six to eight weeks from the time a complete application is submitted until Board approval is received. Developers have the option of submitting a single application for OAS and Commitment, thus minimizing loan processing time. Expedited processing for either phase may be approved on a case-by-case basis, subject to additional processing fees.

The One-Stop Application

Applications for both OAS and Commitment are submitted on the One-Stop application. The One-Stop was developed by several Massachusetts affordable housing lenders and agencies to provide development sponsors with a single application that can be submitted to any or all of the participating organizations. All applications should include the required sections and exhibits listed on the last page of the application instructions. Please note that the submission requirements are different for OAS and Commitment. Applicants should submit the following number of copies:

- One set of financial statements
- An original plus five hard copies of the One-Stop application (including exhibits and attachments)
- Two sets of plans and specifications
- One computerized disk containing the completed One-Stop application.

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Christopher Columbus Plaza is a 151-unit elderly development located in Boston's historic North End neighborhood. Built in 1976 under HUD's Section 236 Program, the mortgage was refinanced with a 40-year taxable loan under MHFA's 80/20 program. As a result, the owner was able to undertake needed capital improvements and retain affordability of this "expiring use" property.

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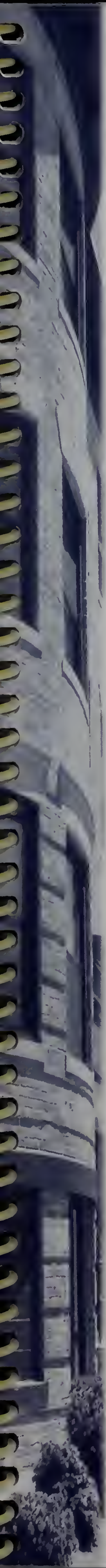
Financed through MHFA's Elder 80/20 Program, Cabot Park Village in Newton, MA, provides 100 units of rental housing, including 20 affordable units.

Copies of the One-Stop Application are available by calling:

- TEL (617) 854 1359
- TDD (617) 854 1025
- RELAY (800) 439 2370



MHFA | 80/20 Program

Fact Sheet | *A Program Providing Financing for Multifamily Rental Housing Developments*

Underwriting Standards

LOAN TERMS

Maximum Loan Amount
Maximum 90% of appraised value.

Debt Service Coverage
Minimum 1.10

Equity Requirements
Minimum 10% of Total Development Cost, exclusive of developer fee and overhead. Land value and overhead allowance may, subject to limitations, be contributed to satisfy equity requirements. For details, please see the MHFA Equity Requirements policy statement.

Interest Rates
Both taxable and tax-exempt financing are available. Underwriting rates are established monthly. The actual rate is locked in when the bonds are issued. For current rates see MHFA Interest Rates schedule.

Credit Enhancement
To ensure the most favorable borrowing rates, credit enhancement is typically provided through the HUD/HFA Risk Sharing Program. For mortgage insurance premium rates, see MHFA Interest Rates schedule.

Term/Amortization
Both 30 and 40 year fully-amortizing terms are available.

Non-Recourse Debt
Loans are non-recourse debt secured by a first mortgage on land and improvements.

Affordability Requirements
Either: 20% of the units must be both rent restricted and occupied by individuals whose income is 50% or less of area median gross income ("20% @ 50%") or 40% or more of units must be both rent restricted and occupied by individuals whose income is 60% or less of area median gross income ("40% @ 60%").

For all low-income units, rents charged cannot exceed 30% of the area median income limit for the elected set-aside.

EQUAL OPPORTUNITY GOAL

MHFA maintains a strong commitment to equal employment and affirmative action practices. Owner and general contractor must negotiate affirmative action hiring and occupancy goals with the MHFA Equal Opportunity Department.

PRO FORMA COMPONENTS

Developer Fee & Overhead
A maximum of 25% of all Fee-Based Development Costs. For details see the MHFA Developer's Fee, Overhead and Limited Dividend policy statement.

Lease-up Deficit Escrow	Developments with projected initial operating deficits will be required to establish a reserve to cover the projected absorption period. While this amount will be a general development cost item in the budget, it must be funded out of equity.
Replacement Reserves	A minimum of $275 per unit per year must be placed in a capital reserve account. Additional reserves may be required based upon the capital needs of the development.
Return on Equity	Annual distributions of cash flow are limited to 10% of equity. For details see the MHFA Developer's Fee, Overhead and Limited Dividend policy statement.

DEVELOPMENT TEAM REQUIREMENTS

Eligible Borrowers	The borrower must be a single-asset, sole-purpose entity. Both limited dividend and not-for-profit borrowers are eligible.

LOAN SECURITY

Bond Issuance Security	When bonds are issued prior to loan funding, an LOC or cash security equal to 4% of the loan amount will be required to cover potential bond redemption and/or negative arbitrage costs. Released upon initial MHFA loan closing.
Construction Security	When MHFA construction financing is used, an LOC or cash escrow account equal to 6% of the loan amount must be provided. Released upon MHFA permanent loan closing. May be rolled over into the required operating escrow.
Operating Security	6% of the loan amount in cash or LOC must be placed in an operating escrow upon MHFA permanent loan closing. This escrow can be reduced once the development achieves two consecutive years of target performance: break-even occupancy will result in the escrow being reduced by 1% of the original loan amount per year; and 1.10 debt coverage will allow the escrow to be reduced by 1.5% of the original loan amount per year.
Rent-up Period Risk	When MHFA is providing permanent financing only, developments must achieve sustaining occupancy prior to take-out. Take-out upon construction completion may be considered if acceptable security is provided.
Subordinate Debt	Subordinate financing is allowed subject to compliance with Agency and credit enhancement requirements.

CONSTRUCTION LOAN CONDITIONS

Prevailing Wages	MHFA provides either construction/permanent or permanent loan only financing. When MHFA construction financing is used, prevailing wages must be paid.
Contractor Bonding	A lien bond and payment and performance bonds in the amount of 100% of the construction contract price. A Completion Assurance Agreement, secured by a letter-of-credit or cash equal to a minimum of 15% of the construction contract price may be accepted at MHFA's sole discretion in lieu of bonding.
Construction Retainage	Initially 10%. MHFA may, at its discretion, approve a reduction to 5% upon 50% construction completion.

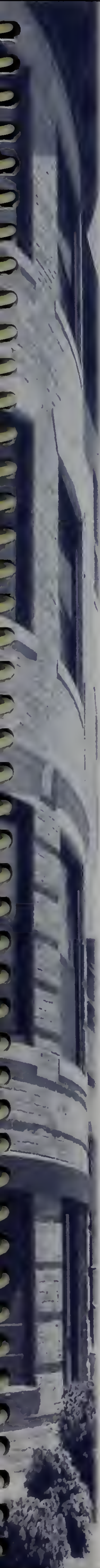
SITE AND MARKET REVIEWS

Environmental	Hazardous material survey (21 E) and review of conditions such as asbestos, radon, noise, and environmental impacts must be completed.
Market Feasibility	An independent market feasibility study must be submitted and approved.

COMPREHENSIVE PERMIT ZONING APPLICATIONS (CHAPTER 40B)

Site Approval	MHFA is empowered to issue site approval for a comprehensive permit application for developments in localities where the number of low or moderate income units constitutes 10% or less of the total number of housing units. For further details, see the MHFA Site Approval Application.

For additional information, contact Deborah Leland, Development Officer at (617) 854-1365,
TDD # (617) 854-1025, Relay 1- (800) 439-2370 or write to
Massachusetts Housing Finance Agency, Development Department,
One Beacon Street, Boston, MA 02108



MHFA | Elder CHOICE Program

Fact Sheet | *A Program Providing Financing for Assisted-Living Housing for Frail Elders*

Underwriting Standards

LOAN TERMS

Maximum Loan Amount	Maximum 90% of appraised value.
Debt Service Coverage	Minimum 1.15
Equity Requirements	Minimum 10% of Total Replacement Cost, exclusive of developer fee and overhead. Land value and overhead allowance may, subject to limitations, be contributed to satisfy equity requirements. For details, please see the MHFA Equity Requirements policy statement.
Interest Rates	Both taxable and tax-exempt financing are available. Underwriting rates are established monthly. The actual rate is locked in when the bonds are issued. For current rates see MHFA Interest Rates schedule.
Credit Enhancement	To ensure the most favorable borrowing rates, credit enhancement is typically provided through the HUD/HFA Risk Sharing Program. For mortgage insurance premiums see MHFA Interest Rates schedule.
Term/Amortization	Both 30 and 40 year fully-amortizing terms are available.
Non-Recourse Debt	Loans are non-recourse debt secured by a first mortgage on land and improvements.
Affordability Requirements	Either: 20% of the units must be both rent restricted and occupied by individuals whose income is 50% or less of area median gross income ("20% @ 50%"); or 40% or more of units must be both rent restricted and occupied by individuals whose income is 60% or less of area median gross income ("40% @ 60%"). For all low-income units, rents charged cannot exceed 30% of the area median income limit for the elected set-aside.

PROFORMA COMPONENTS

Developer Fee & Overhead	A maximum of 25% of all Fee-based Development Costs. For details, see the MHFA Developer's Fee, Overhead and Limited Dividend policy statement.
Lease-up Deficit Escrow	A reserve to cover the initial operating deficit must be established based upon the projected absorption period. While this amount will be a general development cost item in the budget, it must be funded out of equity.
Replacement Reserves	A minimum of $275 per unit per year, must be placed in a capital reserve account. Additional reserves may be required based on the capital needs of the development. A furniture, fixture and equipment (FFE) reserve account equal to 2% of the FFE budget must be established.

Return on Equity	Annual distributions of cash flow are limited to 10% of equity. For details, Please see the MHFA Developer's Fee, Overhead and Limited Dividend policy statement.

DEVELOPMENT TEAM REQUIREMENTS

Eligible Borrowers	The borrower must be a single-asset, sole-purpose entity. Both limited dividend and not-for-profit borrowers are eligible.
Eligible Service Providers	The Provider must be experienced in the operation of developments of similar size, nature, and complexity.

LOAN SECURITY

Bond Issuance Security	When bonds are issued prior to loan funding, an LOC or cash security equal to 4% of the loan amount will be required to cover potential bond redemption costs and/or negative arbitrage costs. Released upon initial MHFA loan closing.
Construction Security	When MHFA construction financing is used, an LOC or cash escrow account equal to 6% of the loan amount must be provided. Released upon MHFA permanent loan closing. May be rolled over into the required operating escrow.
Operating Security	6% of the loan amount in cash or LOC must be placed in an operating escrow upon MHFA permanent loan closing. This escrow can be reduced once the development achieves two consecutive years of target performance: break-even occupancy will result in the escrow being reduced by 1% of the original loan amount per year; and 1.15 debt coverage will allow the escrow to be reduced by 1.5% of the original loan amount per year.
Rent-up Period Risk	When MHFA is providing permanent financing only, developments must achieve sustaining occupancy prior to take-out. Take-out upon construction completion may be considered if acceptable security is provided.
Subordinate Debt	Subordinate financing is allowed subject to compliance with Agency and credit enhancement requirements.

CONSTRUCTION LOAN CONDITIONS

Prevailing Wages	MHFA provides either construction/permanent or permanent loan only financing. When MHFA construction financing is used, prevailing wages must be paid.
Contractor Bonding	A lien bond and payment and performance bonds in the amount of 100% of the construction contract price. A Completion Assurance Agreement, secured by a letter-of-credit or cash equal to a minimum of 15% of the construction contract price may be accepted at MHFA's sole discretion in lieu of bonding.

Construction Retainage	Initially 10%. MHFA may, at its discretion, approve a reduction to 5% upon 50% construction completion.

SITE & MARKET REVIEWS

Environmental	Hazardous material survey (21 E) and review of conditions such as asbestos, radon, noise, and environmental impacts must be completed.
Market Feasibility	An independent market feasibility study must be submitted and approved.

EQUAL OPPORTUNITY GOALS

MHFA maintains a strong commitment to equal employment and affirmative action practices. Owner and general contractor must negotiate affirmative action hiring and occupancy goals with the MHFA Equal Opportunity Department.

COMPREHENSIVE PERMIT ZONING APPLICATIONS (CHAPTER 40B)

Site Approval	MHFA is empowered to issue site approval for a comprehensive permit application for developments in localities which the number of low or moderate income units constitutes 10% or less of the total number of housing units. For further details, see the MHFA Site Approval Application.

For additional information, contact Charles Gladstone, Development Officer at (617) 854-1362, TDD # (617) 854-1025, Relay 1- (800) 439-2370 or write to Massachusetts Housing Finance Agency, Development Department, One Beacon Street, Boston, MA 02108

MHFA's Expanding Rental Affordability (ERA) Program

MHFA's Expanding Rental Affordability (ERA) Program offers taxable financing for mixed-income housing for loan terms of up to 40 years. The ERA Program is intended to encourage the production of mixed-income housing in which at least 20% of the units are set aside for low-income households. The program is designed to work without the use of scarce state or federal housing subsidies, such as tax-exempt financing, tax credits or HOME subsidies.

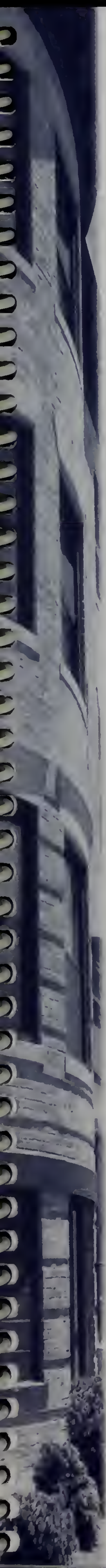
ERA was developed in response to several factors. The current strength of rental real estate markets, coupled with the end of rent control in various communities, has led to a resurgence of market-rate rental production activity and priced many low- and moderate-income households out of the rental market. At the same time, increased demand for scarce housing resources, such as tax credits and tax-exempt financing, has generated a need for financing alternatives on terms that are sufficiently advantageous to encourage production of affordable housing. The ERA Program's competitive taxable rates, coupled with 90% loan-to-value ratios, 30-40 year loan terms, and relaxed affordability standards, offer an attractive alternative to conventional debt sources.

It is anticipated that the ERA Program will finance three types of developments:

1. Market-driven new construction deals which are seeking a Comprehensive Permit pursuant to Massachusetts' "anti-snob" zoning legislation (Chapter 40B).
2. Refinancings of existing unsubsidized developments for which MHFA's advantageous loan terms outweigh lower project revenues due to a low-income set-aside.
3. Refinancings of existing subsidized developments in strong market areas that are eligible for prepayment but are willing to maintain an affordable component.

To achieve affordability without direct housing subsidies, the ERA program allows a slightly relaxed affordability standard. A minimum of 20% of the units must be both rent-restricted and occupied by individuals whose income is 80% or less of area median income (other affordable housing programs typically restrict set-aside units to no more than 60% of median area income). Projects that have received a Comprehensive Permit under Chapter 40B are subject to a minimum 25% low-income set aside. Rents charged for all low-income units cannot exceed the lesser of a) 30% of 80% of area median income; or b) 10% below rents for comparable unassisted units in the market area. In addition, to ensure that affordable rental units will be made available to very-low income households, sponsors must agree to make best-faith efforts to market all set-aside units to households with rental assistance (Section 8 certificates or vouchers).

For more information see MHFA's ERA Program Term Sheet
or contact Multifamily Development staff at (617) 854-1371



MHFA | Expanding Rental Affordability (ERA) Program

Fact Sheet | *Taxable financing for developments serving low- and moderate-income households*

Underwriting Standards

ELIGIBLE PROJECTS

Rental housing projects receiving no form of direct (cash or tax) state or federal housing subsidy are eligible. For projects utilizing tax credits, HOME, Housing Stabilization, or other subsidies, refer to MHFA's "80/20 Program Term Sheet".

AFFORDABILITY REQUIREMENTS

A minimum of 20% of the units must be both rent restricted and occupied by individuals whose income is 80% or less of area median income. Projects that have received a Comprehensive Permit under Chapter 40B are subject to a minimum 25% low-income set aside. Rents charged for all low-income units cannot exceed the lesser of a) 30% of 80% of area median income; or b) 10% below rents for comparable unassisted units in the market area. In addition, to ensure that affordable rental units will be made available to very-low income households, sponsors must agree to make best-faith efforts to market all set aside units to households with rental assistance (Section 8 certificates or vouchers).

LOAN TERMS

Loan Type	Permanent loans and combined construction and permanent loans are available.
Maximum Loan Amount	Maximum 90% of appraised value.
Debt Service Coverage	Minimum 1.10
Equity Requirements	Minimum 10% of Total Development Cost, exclusive of developer fee and overhead. Land value and overhead allowance may, subject to limitations, be contributed to satisfy equity requirements. For details, please see the MHFA Equity Requirements policy statement.
Interest Rates	Taxable underwriting rates are established monthly based on an assumed "AAA" rating. The actual rate is locked in when the bonds are issued, and depends on the source of credit enhancement for the loan. For current rates see MHFA Interest Rates schedule.
Term/Amortization	Both 30- and 40-year fully amortizing terms are available.
Non-Recourse Debt	Loans are non-recourse debt secured by a first mortgage on land and improvements.

EQUAL OPPORTUNITY GOALS

MHFA maintains a strong commitment to equal employment and affirmative action practices. Owner and general contractor must negotiate affirmative action hiring and occupancy goals with the MHFA Equal Opportunity Department.

DEVELOPMENT TEAM REQUIREMENTS

Eligible Borrowers	The borrower must be a single-asset, sole-purpose entity. Both limited dividend and not-for-profit borrowers are eligible.

PRO FORMA COMPONENTS

Developer Fee & Overhead	A maximum of 25% of all "Fee-Based Development Costs". For details see the MHFA Developer's Fee, Overhead and Limited Dividend policy statement.
Lease-up Deficit Escrow	Developments with projected initial operating deficits will be required to establish a reserve to cover the projected absorption period. While this amount will be a general development cost item in the budget, it must be funded out of equity.
Replacement Reserves	A minimum of $275 per unit per year must be placed in a capital reserve account. Additional reserves may be required based upon the capital needs of the development.
Return on Equity	Annual distributions of cash flow are limited to 10% of equity. For details see the MHFA Developer's Fee, Overhead and Limited Dividend policy statement.

LOAN SECURITY

Bond Issuance Security	When bonds are issued prior to loan funding, an LOC or cash security equal to 4% of the loan amount will be required to cover potential bond redemption and/or negative arbitrage costs. Released upon initial MHFA loan closing.
Construction Security	When MHFA construction financing is used, an LOC or cash escrow account equal to 6% of the loan amount must be provided. Released upon MHFA permanent loan closing. May be rolled over into the required operating escrow.
Operating Security	6% of the loan amount in cash or LOC must be placed in an operating escrow upon MHFA permanent loan closing. This escrow can be reduced once the development achieves 2 consecutive years of target performance: break even occupancy will result in the escrow being reduced by 1% of the original loan amount per year; and 1.10 debt coverage will allow the escrow to be reduced by 1.5% of the original loan amount per year.
Rent-up Period Risk	When MHFA is providing permanent financing only, developments must achieve sustaining occupancy prior to take-out. Take-out upon construction completion may be considered if acceptable security is provided.
Subordinate Debt	Subordinate financing is allowed subject to compliance with Agency and credit enhancement requirements.

CONSTRUCTION LOAN CONDITIONS

Prevailing Wages	Prevailing wages must be paid when MHFA construction financing is used.
Contractor Bonding	A lien bond and payment and performance bonds in the amount of 100% of the construction contract price. A Completion Assurance Agreement, secured by a letter-of-credit or cash equal to a minimum of 15% of the construction contract price may be accepted at MHFA's sole discretion in lieu of bonding.
Construction Retainage	Initially 10%. MHFA may, at its discretion, approve a reduction to 5% upon 50% construction completion.

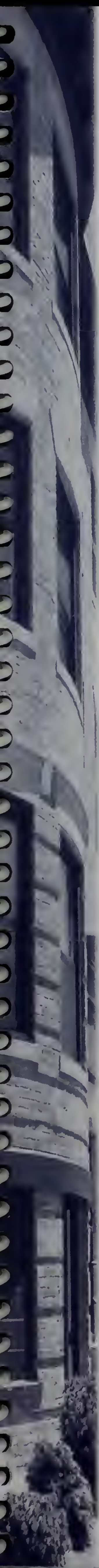
SITE AND MARKET REVIEWS

Environmental	Hazardous material survey (21 E) and review of conditions such as asbestos, radon, noise, and environmental impacts must be completed.
Market Feasibility	An independent market feasibility study must be submitted and approved.

COMPREHENSIVE PERMIT ZONING APPLICATIONS (CHAPTER 40B)

Site Approval	MHFA is empowered to issue site approval for a comprehensive permit application for developments in localities in which the number of low or moderate income units constitutes 10% or less of the total number of housing units. For further details, see the MHFA Site Approval Application.

For additional information, contact Nancy Andersen at (617) 854-1360,
TDD # (617) 854-1025, Relay 1- (800) 439-2370 or write to
Massachusetts Housing Finance Agency, Development Department,
One Beacon Street, Boston, MA 02108



The Low Income Housing Tax Credit

A Brief Guide for MHFA Applicants

The Low Income Housing Tax Credit (LIHTC) was created by the Tax Reform Act of 1986 to encourage the construction and rehabilitation of low-income housing. Originally authorized for three years, the Program has been extended and amended by Congress periodically since then. The Program received permanent status as part of the Omnibus Reconciliation Act of 1993.

Under the federal tax code, a credit is a dollar-for-dollar reduction in the tax liability for property owners and/or investors. The LIHTC Program provides a means by which developers may raise capital to develop low-income housing by selling the tax credits and other economic benefits to investor limited partners who, in exchange, contribute equity capital to the development. As described more fully below, the amount of tax credit available to a project depends on both the level of eligible project expenditures, and the proportion of the development's units reserved for occupancy by low-income tenants over a 30-year period.

Administration of the Credit

In Massachusetts, the Department of Housing and Community Development (DHCD) has been appointed by an executive order of the governor as the allocating agency responsible for administering the LIHTC Program. Federal law requires allocating agencies to establish priorities and criteria for credit awards in a state Qualified Allocation Plan, which is revised and reviewed through public hearings on a yearly basis. DHCD typically holds bi-annual competitive scoring rounds in which projects are ranked and awarded credits on the basis of the Plan's criteria.

DHCD has delegated authority to the Massachusetts Housing Finance Agency (MHFA) to administer Low Income Housing Tax Credits used in conjunction with tax-exempt bond financed projects which are subject to the state's private activity bond volume cap. These projects are often referred to as 4% credit or bond financed credit projects. Tax credits used in such projects do not count against the state's LIHTC allocation cap and do not have to compete for Credits through the DHCD funding round process. These non-competitive projects must, however, meet the requirements of the Commonwealth's Allocation Plan.

Sponsors seeking MHFA tax-exempt financing may submit requests for Credit together with their loan application. Such requests will be reviewed by MHFA to ensure that the project receives no more credit than the minimum amount necessary for project feasibility. Subject to this review, and to agreement by the owner to enter into an extended use agreement and to comply with other requirements of the DHCD Qualified Allocation Plan, staff will recommend approval of the use of the Credit to the MHFA Board at the time of tax-exempt loan commitment.

To receive an allocation of tax credits, a project must meet eligibility requirements under both the DHCD Qualified Allocation Plan and the Internal Revenue Code. Many of these requirements are briefly summarized below, but owners should consult the Commonwealth's tax credit documents (including Allocation Plan and Program Guidelines, both available by calling DHCD at (617) 727-7824) and tax specialists for further information regarding the Plan and the Code.

Eligibility for Tax Credits

The Federal Tax Code requires that: a) minimum rehabilitation expenditures equal or exceed the greater of $3000 per unit or 10% of a project's depreciable basis, (exceptions may apply for properties acquired from government entities and expiring use properties); b) for acquisition credits, eligible projects have not been placed in service or rehabilitated within the last 10 years (exceptions apply to certain property transfers and expiring use properties); and c) projects be in compliance with state and local health and building codes. Properties must meet minimum affordability requirements as follows:

Either:	20% or more of the units must be both rent restricted and occupied by individuals whose income is 50% or less of area median gross income (20% @ 50%);
Or:	40% percent or more of units must be both rent restricted and occupied by individuals whose income is 60% or less of area median gross income (40% @ 60%).

Determination of the Tax Credit Amount

The maximum dollar amount of Low Income Housing Tax Credits available to a project is based on the total development costs and the project's eligible and qualified bases. To calculate the credit, total development costs are separated into (1) acquisition and (2) rehabilitation/new construction and related soft costs. The eligible basis is found by subtracting non-depreciable and other ineligible expenses from these costs. The qualified basis is then found by multiplying the eligible basis by the percentage of low-income units. Finally, the qualified basis is multiplied by the applicable percentages according to the following general rules:

i) Projects financed with conventional (taxable) debt are generally eligible for a maximum new construction/rehabilitation credit equal to approximately 9% of the project's qualified basis per year over 10 years. These 9% credits are sometimes also referred to as 70% present value credits, since their present value over ten years equals approximately 70% of the project's qualified basis. Such credits are awarded by DHCD pursuant to a competitive funding round process.

ii) Federally assisted projects, including MHFA tax-exempt financed projects and projects receiving federal subsidies or below market rate loans, are eligible for a new construction/rehabilitation credit of up to approximately 4% of qualified rehabilitation basis per year over ten years. These 4% credits are sometimes also referred to as 30% present value credits, since their present value over 10 years equals approximately 30% of the project's qualified basis. Additional rules related to federally assisted projects are outlined below.

a) If 50 percent or more of a project's cost (total development costs including land) is financed with tax exempt financing, 100 percent of the project qualifies for the tax credit without any charge against the state allocation. If less than 50 percent of development cost is financed with tax-exempt financing, then only those expenditures financed with tax-exempt financing automatically receive tax credits. The balance of eligible expenditures could receive tax credits, however, through an allocation from DHCD.

b) In some instances, projects may avoid classification as federally assisted by subtracting the federal subsidy dollar amount from eligible basis prior to calculating the credit, or by structuring such funds as a loan to the project at the Application Federal Rate (AFR).

c) Special rules apply to the treatment of HOME subsidy funds: When such subsidy is structured as a loan at any interest rate, the subsidy dollar amount needn't be subtracted from basis.

d) CDBG funds are exempted from consideration as federal funds when determining if a project is federally assisted.

e) Tax credit projects receiving tax-exempt financing and another federal subsidy will be restricted to a maximum 4% credit and must generally also subtract other federal assistance dollar amounts from eligible basis prior to calculating the credit.

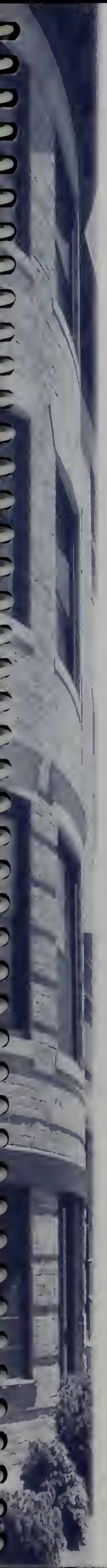
f) All federally assisted tax-credit projects except those in which tax-exempt financing constitutes the only federal subsidy outside of the low-income housing tax credit will be subject to review by HUD under Subsidy Layering Guidelines. Use of any FHA mortgage insurance, such as FHA Risk Sharing, will trigger subsidy layering.

iii) Building acquisition costs are eligible only for 4% credit regardless of financing type.

iv) Land acquisition costs and other non-depreciable costs are not eligible toward basis. Non-depreciable costs typically include amortized construction and permanent loan financing fees; credit enhancement fees; rent-up/marketing expenses; syndication legal fees; investor fees; personal property, equipment, and commercial property expenses.

v) Qualified Census Tracts, Difficult Development Areas: Development located in areas identified by HUD as Qualified Census Tracts and Difficult Development Areas may be eligible for an adjustment of up to 130% of rehabilitation basis prior to calculating the credit. Building acquisition costs are not eligible for this high cost adjustment. A list of eligible locations can be obtained by contacting DHCD at (617) 727-7824.

For more information on use of the tax credit in conjunction with MHFA Tax-Exempt Bond Financing, call the MHFA Development Department @ (617) 854-1360, TDD # (617) 854-1025, Relay 1- (800) 439-2370



MHFA | Tax Credit Equity Bridge Loan Program

Fact Sheet | *A Program Providing Bridge Financing for Tax Credit Equity Payments*

Underwriting Standards

LOAN TERMS

Maximum Loan Amount

The sum of the bridge loan and any MHFA construction/ permanent loan may not exceed 90% of Total Development Cost.

The sum of the bridge loan and the initial capital contribution may not exceed 60-90% of the gross syndication raise, depending on the terms and conditions of subsequent capital contributions.

Interest Rates

Fixed rate is 150 Basis Points above 10-Year Treasury.
Floating rate is 150 Basis Points above 1-Year LIBOR.

Term/Amortization

1-2 years for construction period bridge loan.
3-7 years for construction period and lease-up bridge loan.

Principal and interest will be repaid in accordance with the investor's scheduled capital contributions. At minimum, principal amortization will be on an annual basis with monthly interest payments. Loan terms and amortization may be modified based on MHFA's review of the Partnership Agreement.

Non-Recourse Debt

Bridge loans are non-recourse debt secured, in part, by a second mortgage on land and improvements.

DEVELOPMENT TEAM REQUIREMENTS

Eligible Borrowers

Project sponsors must be organized as a partnership or limited liability company with the general partner or managing member having commitments from each investor to contribute equity to the project in exchange for an ownership interest conveying the tax credits, losses or other tax benefits that the project generates.

Eligible Investors

The syndicator/investor must demonstrate the financial and managerial resources to contribute the required equity to the development.

BRIDGE LOAN CONDITIONS

Investor

Investor must either (i) have at least investment grade rating by a national investment advisory service (Moody's Baa or better, Standard and Poor's BBB or better); or (ii) provide a letter of credit from an entity meeting the same rating requirements; or (iii) pledge government securities acceptable to the Executive Director in an amount equal to the investor's subscription in the project partnership.

General Partner	General Partner must have sufficient resources to fund any loan security requirements of the investor.
Partnership Agreement	Partnership Agreement must be acceptable to MHFA.

LOAN SECURITY

- A promissory note executed by each investor in favor of the partnership or other acceptable security. Investor's obligations to make payments may be based on placed in service and construction completion. Pay-ins over longer periods may generally only be based on the passage of time, customary tax credit program compliance, and the absence of forecloseable loan defaults.
- Second mortgage on the project subordinate only to MHFA financing.
- Pledge and assignment of each investor limited partner's interest in the project partnership.
- Power of Attorney to replace General Partner.

MHFA reserves the right to require additional collateral on a case-by-case basis.

For more information contact Nancy Andersen, Senior Development Officer (617) 854-1360,
TDD # (617) 854-1025, Relay 1- (800) 439-2370.
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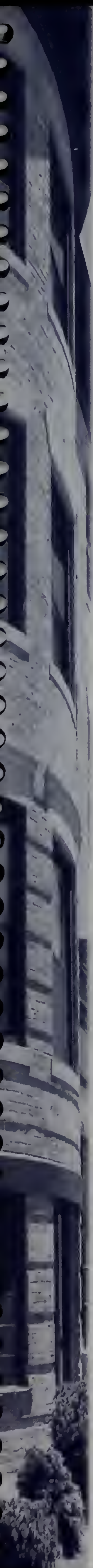
One Beacon Street, Boston, MA 02108



MHFA | Interest Rates & Fees

Fact Sheet

Fee Schedule for Multifamily Rental Housing Programs

PROCESSING & COMMITMENT FEES

Type	OAS (Official Action) Application Fee	Mortgage Loan Application Fee (OAS fee credited to total)	Financing Fee	Construction Inspection Fee	MHFA Administrative Fee (Incl. in constant)	HUD/HFA Risk Sharing Program Mortgage Insurance Premium (MIP) (On declining bal.)
Construction & Permanent Loan	$2,500	0.3% of loan amount	2.0% of loan amount	0.5% of loan amount	0.5% of loan amount / year	0.375% - 0.45% of loan amount / year
Permanent Loan Only	$2,500	0.25% of loan amount	1.0% of loan amount (Assumes take-out at stabilized occ.)	0.5% of construction contract amount	0.5% of loan amount / year	0.375% - 0.45% of loan amount / year
Construction Loan Only	$2,500	0.15% of loan amount	1.0% of loan amount	0.5% of loan amount	0.5% of loan amount / year	N/A
Syndication Bridge Loan	N/A	0.3% of loan amount	1.0% of loan amount	0.5% of loan amt. Applicable to construction costs	0.5% of loan amount / year	N/A

OTHER FEES

Comprehensive Permit / Site Approval	Application Fee: (Not Mortgageable)	$2,500
OAS Extension Fee	Quarterly 180 Days after OAS	$250 per quarter
Commitment Extension Fee	Monthly 180 Days after commitment.	$500 per month
Recommitment / Mortgage Increase Fees	Application Fee:	0.25% or 0.3% of increase, but not less than $3,000
Recommitment Fee (Without Replacement Cost or Loan Amount Change.)	1. Change Mortgagor or Contractor, 2. Substantial change in rents, unit mix, market area or other change requiring a new market analysis.	$1,000 per change

For additional information contact the MHFA Development Department at 617-854-1371
or write to MHFA, Development Department, One Beacon Street, Boston, MA 02108

MHFA Policy Against Discrimination

MHFA Policy of Non-Discrimination

The Massachusetts Housing Finance Agency does not discriminate on the basis of race, color, religion, sex, national origin, ancestry, sexual orientation, age, familial status or physical or mental disability in the access or admission to its programs or employment, or in its activities, functions, or services. The following persons are responsible for coordinating compliance with applicable non-discrimination requirements:

Wilson Henderson
Equal Opportunity Director

Ann Anderson
504/ADA Coordinator

Deb Sullivan
504/ADA Employment Coordinator

Wendy Warring
General Counsel

FYI: Alternate Formats

This brochure also is available in alternate formats such as large print or audio cassette. Such formats can be provided if necessary upon sufficient notice by contacting MHFA's Multifamily Development Department at:

TEL	(617) 854-1371
FAX	(617) 854-1028
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E-Mail	mgonsalves@mhfa.com

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